

**DUE DECEMBER 31**

Pursuant to Public  
Resources Code § 6306

# Granted Public Trust Lands Standardized Reporting Form



**Fiscal/Calendar Year:** Fiscal 2014-2015

**Grantee Name:** San Francisco Port District  
**Contact Person:** Elaine Forbes, Director of Finance & Administration  
**Contact Phone:** 415-274-0445  
**Mailing Address:** Port of San Francisco  
Pier 1, The Embarcadero  
San Francisco, California 94111

## 1. Funds

- a. Is a separate fund maintained for trust assets, liabilities, revenues and expenditures?

YES  NO

If "No", under what fund are they accounted for? If "Yes," please list the name(s) of the fund(s)

Port of San Francisco, an enterprise fund of the City and County of San Francisco

- b. Are separate financial statements prepared for the trust?

YES  NO

If "No," in which financial statements are they included? (Name of the document(s) and the applicable page number(s)) If "Yes," describe the organization of the separate financial statement.

Port Commission, City and County of San Francisco, dba Port of San Francisco

## 2. Revenue

- a. What was the gross revenue received or generated from trust land or trust assets during the past fiscal year? Total Revenues \$99,970,000 (pg 4); Operating Revenues \$95,296,000 (pgs 4 and 21).

- b. Please list all sources of revenue and the amount of revenue generated from each source (e.g. permits, rentals, percentage of lease) See Income Statement (pg 21) and Note 2 descriptions (pg 27).

## 3. Expenses

- a. What was the total expenditure of funds received or generated from trust land or assets during the past fiscal year? Total Expenses \$88,195,000 (pg 4); Operating Expenses \$83,683,000 (pgs 4 and 21).

- b. What expenses were allocated or charged directly to the trust? Please list the source of the expenditure and the amount expended. See Income Statement for operating and nonoperating expenses (pg 21) and Statement of Cash Flows (pgs 22-23).

- c. Have there been any capital improvements over \$250,000 within the current fiscal year? Are any capital improvements over \$250,000 expected in the next fiscal year?

Yes, see capital asset discussions (pgs 8-9 and Note 6 on pg 32). Yes, major improvements are expected next year.

- d. Describe any other disposition of trust funds or assets or any other disposition of the trust lands or trust assets themselves. Include any internal funds that were transferred to other grantees, to the management of another entity or under the management of another political subdivision of the grantee per an agreement, settlement, or Memorandum of Understanding.

No notable dispositions. Discussion of related party transactions with City, Note 14 (pgs 49-50).

## 4. Beginning and Ending Balance

Please list the beginning and ending balances for the tidelands trust fund(s) for this past fiscal year.

Net position beginning balance as restated, \$340,820,000 and ending balance, \$352,595,000 (pgs 4, 19 and 21)

**For all questions, please give the page number where the information can be found in your accompanying financial document. Please use additional pages as necessary.**

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Management's Discussion and Analysis (Unaudited)  
For the Years Ended June 30, 2015 and 2014

**Condensed Financial Information – Port of San Francisco**

**Comparative Net Position (in thousands)**

	June 30,			2015-2014 Change	2014-2013 Change
	2015	2014	2013		
Current and other assets	\$ 152,032	\$ 151,355	\$ 135,786	\$ 677	\$ 15,569
Capital assets	444,105	439,773	409,032	4,332	30,741
Total assets	<u>596,137</u>	<u>591,128</u>	<u>544,818</u>	<u>5,009</u>	<u>46,310</u>
Deferred outflows of resources	5,555	-	-	5,555	-
Current liabilities	24,788	39,020	61,249	(14,232)	(22,229)
Noncurrent liabilities	209,459	180,819	120,960	28,640	59,859
Total liabilities	<u>234,247</u>	<u>219,839</u>	<u>182,209</u>	<u>14,408</u>	<u>37,630</u>
Deferred inflows of resources	14,850	-	-	14,850	-
Net position:					
Net investment in capital assets	315,037	312,572	319,829	2,465	(7,257)
Restricted	6,511	16,389	27,139	(9,878)	(10,750)
Unrestricted	31,047	42,328	15,641	(11,281)	26,687
Total net position	<u>\$ 352,595</u>	<u>\$ 371,289</u>	<u>\$ 362,609</u>	<u>\$ (18,694)</u>	<u>\$ 8,680</u>

**Changes in Net Position (in thousands)**

	Year Ended June 30,			2015-2014 Change	2014-2013 Change
	2015	2014	2013		
Revenues:					
Operating revenues	\$ 95,296	\$ 85,739	\$ 81,520	\$ 9,557	\$ 4,219
Nonoperating revenues	3,114	1,401	5,789	1,713	(4,388)
Capital contributions	1,560	9,721	25,832	(8,161)	(16,111)
Total revenues	<u>99,970</u>	<u>96,861</u>	<u>113,141</u>	<u>3,109</u>	<u>(16,280)</u>
Expenses:					
Operating expenses	83,683	83,596	79,165	87	4,431
Nonoperating expenses	4,512	4,585	6,260	(73)	(1,675)
Total expenses	<u>88,195</u>	<u>88,181</u>	<u>85,425</u>	<u>14</u>	<u>2,756</u>
Change in net position	11,775	8,680	27,716	3,095	(19,036)
Net position, beginning of the year as restated	<u>340,820</u>	<u>362,609</u>	<u>334,893</u>	<u>(21,789)</u>	<u>27,716</u>
Net position, end of the year	<u>\$ 352,595</u>	<u>\$ 371,289</u>	<u>\$ 362,609</u>	<u>\$ (18,694)</u>	<u>\$ 8,680</u>

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Total service reimbursements to other City departments were \$17,097,000 in 2015, a net increase of \$1,526,000 over 2014. In 2004, the Port Commission adopted the findings of a nexus study that analyzed the balance of payments between the Port and City. That study established a record of certain past expenditures and provided a systematic means for determining the balance of payments for future periods. The Port and City continue to evaluate and refine the methodologies used for the reimbursement and allocation of direct and indirect costs. City direct services are generally settled through the City's interdepartmental work order process. The interdepartmental expense line fluctuates greatly with the volume of project-related activities. The additional costs incurred in 2015 were largely attributable to supplemental services procured from the Department of Public Works to implement certain construction projects at Port facilities, from Parking and Traffic for the operation and maintenance of on-street parking program as well as additional parking enforcement, and from the Police Department for traffic management at the cruise terminal.

Pollution remediation obligations are covered in the environmental matters section of the Contingencies footnote (Note 18). The increase variances in pollution remediation expense for 2015 and 2014 are due to the more recent evaluation and re-estimate of the accrued costs.

Nonoperating revenues and expenses, other than interest income and expense, tend to fluctuate widely based on largely nonrecurring transaction activities or events. Investments are reported at fair value and the corresponding change in fair value reported along with interest income. Operating grants consist of financial assistance received from various agencies for noncapital purposes, like special studies, disaster response training, and environmental investigations. This grant category also covers the funding from the Federal Railroad Administration for rebuilding the Quint Street Lead, a freight rail spur track that is jointly owned by the two major railroad companies that serve the Port. Reimbursable expenditures in 2015 for certain preliminary costs were about \$200,000, from a total grant award of \$2,970,000.

Also among nonoperating revenues and expenses are the gains and losses realized from the disposition of Port assets. Insurance proceeds totaling \$14,116,000 have been received pursuant to the insurance claim filed by the Port (Note 16). Final settlement of the insurance claim was reached in April 2015, resulting in the collection of \$1,686,000 in additional insurance proceeds.

## **Capital Asset and Debt Administration**

### **Capital Assets**

The Port's capital assets as of June 30, 2015 and 2014, respectively, were \$444.1 million and \$439.8 million, net of accumulated depreciation. Principal capital assets include land, certain street and road improvements, pier promenades, pier substructure, buildings and related improvements, vehicles, equipment and furniture. More information concerning the Port's capital assets can be found in Note 6 on pages 32-33 of this report.

#### ***James R. Herman Cruise Terminal at Pier 27***

The most significant capital asset activity in the recent period is the September 2014 opening of the James R. Herman Cruise Terminal at Pier 27. Pier 27 has been developed as the primary cruise terminal to meet modern ship and current operational requirements of the cruise industry. The cruise terminal building is designed to allow for special event and meeting uses when the facility is not occupied for cruise purposes. A civic celebration and official grand opening was held on September 25, 2014, with the *Grand Princess* in port. Phase I construction for the core and shell of the building was completed in February 2013; and the building was then used temporarily for the 34<sup>th</sup> America's Cup events. Phase I expenditures were

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approximately \$62 million, including demolition and remediation costs. Phase 2 expenditures of approximately \$49 million brought total costs to approximately \$111 million. Phase 2 covered additional build-out of the cruise terminal building, including the U.S. Customs and Border Protection offices and security rooms; the installation of the mobile gangway system, including a glass-covered passenger boarding bridge and other maritime equipment; completion of a facility operations/provisioning area; fenders and bollards; completion of the ground transportation area; and the *Cruise Terminal Plaza* (previously designated as the Northeast Wharf Plaza in planning documents), an approximately 2¾ acre public open space located along the west end of Pier 27, along the Embarcadero Promenade.

***Blue Greenway Projects***

The Blue Greenway is a City and Port project to improve and expand the public open space network along the central and southern waterfront, extending from China Basin Channel to the San Francisco southern county line. When fully completed, this network is envisioned to consist of thirteen miles of contiguous pedestrian and bicycling routes with a series of parks and respite areas at which to enjoy and access the Bay.

- ***Blue Greenway Signage System.*** The Port, with assistance from a design team, developed a wayfinding system to (a) improve recognition of the network of open spaces and the alignment of the Blue Greenway before it is completely designed, funded, and built; (b) help build an identity to the system for today's users and potential users; and (c) through removable panels, allow for future area interpretation on the signs as the Blue Greenway evolves over a long development period. Unlike the Embarcadero promenade in the northeastern waterfront, the alignment of the Blue Greenway is not obvious to the user. In many locations, the Blue Greenway public alignment is far away from the Bay's edge or adjacent to heavy industrial uses and is consequently somewhat obscured from potential users. In other locations, sidewalks are sometimes narrow or non-existent and shoreline open spaces are separated by great distances. Construction was completed in December 2014 of 22-foot height signs at ten locations between Mission Creek and Heron's Head Park. Total accumulated costs were \$1.8 million. The 2008 Clean and Safe Parks General Obligation Bond provided funding for all of the construction and some of the design costs.
- ***Bayview Gateway.*** The opening of the Bayview Gateway was celebrated with a ribbon-cutting ceremony on September 18, 2015. It is a one-acre passive green open space at the intersection of Cargo Way and Third Street near Pier 90. Its location provides a welcoming gateway to the Bayview Community with new landscaping containing drought-tolerant plants and fruit-bearing trees, plaza areas, open access to the waterfront, and improved pedestrian amenities. Its design also intends to reflect the natural and cultural history of the neighborhood and to be compatible with the Port's cargo and maritime industrial operations. There is a new walkway along Islais Creek between the Third Street and Illinois Street bridges, and places for picnicking and enjoying the view of the *Bayview Rise* art mural. Sustainable design is carried through the open space with locally sourced construction and landscape materials, and a drainage system that processes and retains 100% of the site's storm-water runoff. The Bayview Gateway project was funded with \$4.6 million from the 2008 Clean and Safe Neighborhood Parks General Obligation Bond. A future phase for the open space will bring public art to the corner of Third Street and Cargo Way.

The Port had firm purchase and contract commitments at June 30, 2015 of approximately \$10 million for capital projects. As of June 30, 2015, the budget file indicates over \$60 million in appropriations for Port projects. Significant project appropriations cover capital projects planned and in-progress, including the pending expenditure of the debt issuances discussed below and the general obligation bond proceeds allocated to open space projects along the waterfront.

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Statements of Net Position (Continued)

June 30, 2015 and 2014

(dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,477	\$ 14,333
Due to General Fund (Notes 14)	-	42
Accrued interest payable	1,652	1,464
Accrued payroll	1,103	2,269
Accrued vacation and sick leave pay (Note 8)	1,367	1,252
Accrued workers' compensation (Notes 8 and 19)	408	406
Estimated claims payable (Notes 8, 18 and 19)	1,056	1,480
Current maturities of long-term obligations (Note 8)	2,370	2,600
Current portion of loan from City department (including accrued interest payable of \$4 and \$8, respectively) (Notes 8 and 14)	112	112
Pollution remediation obligation (Notes 8 and 18)	71	129
Other liabilities (Notes 8 and 18)	-	3,200
Prepaid rents and advance payments	2,365	1,847
Rent credits due to tenants	2,166	2,127
Lessee and other deposits	8,641	7,759
Total current liabilities	<u>24,788</u>	<u>39,020</u>
Noncurrent liabilities:		
Accrued vacation and sick leave pay (Note 8)	853	1,040
Accrued workers' compensation (Notes 8 and 19)	2,374	2,368
Estimated claims payable (Notes 8, 18 and 19)	350	350
Long-term obligations - net of current maturities (Note 8)	91,526	93,958
Loan from City department, net of current portion (Notes 8 and 14)	64	172
Pollution remediation obligation (Notes 8 and 18)	10,703	10,625
Net pension liability (Note 10)	16,574	-
Other postemployment benefits obligation (Note 12)	20,091	18,091
Prepaid rents, advance payments and other liabilities	15,146	577
Rent credits due to tenants	51,778	53,638
Total noncurrent liabilities	<u>209,459</u>	<u>180,819</u>
Total liabilities	<u>\$ 234,247</u>	<u>\$ 219,839</u>
<b>Deferred inflows of resources -</b>		
Deferred inflows of resources related to pensions (Note 2 and 10)	<u>\$ 14,850</u>	<u>\$ -</u>
<b>Net position</b>		
Net investment in capital assets	315,037	312,572
Restricted for capital projects	6,511	16,389
Unrestricted	31,047	42,328
Total net position	<u>\$ 352,595</u>	<u>\$ 371,289</u>

The accompanying notes are an integral part of these financial statements.

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Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2015 and 2014  
(dollar amounts in thousands)

	<b>2015</b>	<b>2014</b>
Operating revenues (Note 9):		
Commercial and industrial	\$ 51,328	\$ 46,606
Parking	22,312	19,724
Cargo	4,931	4,696
Cruise	4,928	3,396
Ship repair	2,045	1,790
Fishing	2,185	2,123
Harbor services	1,996	2,136
Other maritime	2,305	1,842
Other	3,266	3,426
	95,296	85,739
Operating expenses:		
Personal services	29,406	33,489
Contractual services	4,978	4,770
Utilities	2,395	1,974
Materials and supplies	1,689	1,635
Depreciation and amortization	22,787	20,434
General and administrative	4,266	3,988
Services provided by other City departments (Note 14)	17,097	15,571
Pollution remediation (Note 18)	78	(68)
Other	987	1,803
	83,683	83,596
Operating income	11,613	2,143
Nonoperating revenues (expenses):		
Interest and investment income	970	1,236
Operating grants	458	165
Gain from fire insurance settlement (Note 16)	1,686	-
Disposition of Drydock #1 (Note 18)	134	841
Asset disposition expenses (net)	(426)	(294)
Debt issuance costs, including City commercial paper program (Note 8)	-	(1,650)
Interest expense	(4,220)	(3,482)
	(1,398)	(3,184)
Change in net position before capital contributions	10,215	(1,041)
Capital contributions -		
Grants from government agencies and other contributions	1,560	9,721
	11,775	8,680
Net position, beginning of the year as previously reported	371,289	362,609
Restatement due to implementation of GASB 68 (Note 2)	(30,469)	-
	340,820	362,609
Net position, beginning of the year as restated	340,820	362,609
Net position, end of the year	\$ 352,595	\$ 371,289

The accompanying notes are an integral part of these financial statements.

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Statements of Cash Flows  
For the Years Ended June 30, 2015 and 2014  
(dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from tenants for rent	\$ 89,205	\$ 66,394
Cash received from customers and others	17,300	16,234
Deposits received from tenants and customers	1,578	1,016
Cash paid to employees for services	(28,213)	(26,840)
Cash paid to employee retirement system	(4,948)	(4,454)
Cash paid to suppliers for goods and services	(17,113)	(14,101)
Cash paid to City for services	(17,185)	(15,799)
Customer deposits returned	(467)	(385)
Net cash provided by operating activities	<u>40,157</u>	<u>22,065</u>
Cash flows from noncapital financing activities:		
Insurance proceeds	1,686	-
Operating grants	228	1,131
Net cash provided by noncapital financing activities	<u>1,914</u>	<u>1,131</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of facilities and equipment	(34,409)	(44,614)
Demolition and other dispositions	-	(159)
Dredging	(2,911)	(1,089)
Payments of long-term debt	(2,704)	(3,332)
Interest and debt issue cost payments on long-term debt	(4,468)	(4,579)
Proceeds from certificates of participation	-	12,347
Proceeds from revenue bonds	-	23,388
Capital contribution from City for cruise terminal project	-	1,600
Insurance proceeds	-	980
Capital grants received	6,876	1,734
Other capital contributions	800	550
Proceeds from sale of equipment and materials	5	10
Net cash used in capital and related financing activities	<u>(36,811)</u>	<u>(13,164)</u>
Cash flows from investing activities:		
Interest and investment income	986	1,125
Net cash provided by investing activities	<u>986</u>	<u>1,125</u>
Change in cash and cash equivalents	6,246	11,157
Cash and cash equivalents, beginning of year	<u>137,607</u>	<u>126,450</u>
Cash and cash equivalents, end of year	<u>\$ 143,853</u>	<u>\$ 137,607</u>

The accompanying notes are an integral part of these financial statements.

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Statements of Cash Flows (Continued)  
For the Years Ended June 30, 2015 and 2014  
(dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 11,613	\$ 2,143
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	22,787	20,434
Change in allowance for doubtful accounts	(166)	17
Net effects of (increase) decrease in:		
Receivables	(195)	(653)
Tenant deposits held outside City Treasury	15	64
Materials and supplies	253	182
Prepaid charges, advances and other assets	10	(5)
Net effects of increase (decrease) in:		
Accounts payable and accrued expenses	(607)	(1,228)
Accrued payroll	(1,166)	171
Accrued vacation and sick leave payable	(72)	(38)
Accrued workers' compensation	8	59
Estimated claims payable	(424)	148
Pollution remediation obligations	20	(79)
Other postemployment benefits obligation	2,000	2,035
Rent credits, prepaid rent and other liabilities	10,681	(1,185)
Net pension liability and related deferred outflow/inflow of resources	(4,600)	-
Net cash provided by operating activities	<u>\$ 40,157</u>	<u>\$ 22,065</u>
Noncash capital and related financing activities:		
Acquisition of capital assets in accounts payable and accrued expenses	\$ 1,056	\$ 11,347
Tenant improvements financed by rent credits	400	2,861
Accrued capitalized interest	-	22
Reclassification of advance to USACE for dredging study	(250)	-
Change in estimate of the disposition of Drydock #1	(134)	1,000
Accrued proceeds from sale of asset	-	15
Abandoned capital improvement projects and asset disposal expense	(431)	(319)
Repaid City commercial paper advances by new certificates of participation	-	26,785
Reconciliation of cash and equivalents to the statement of net position:		
Cash and investments held in City Treasury		
Unrestricted	\$ 109,139	\$ 77,126
Restricted	23,678	47,598
Cash held outside City Treasury		
Unrestricted	5	5
Restricted	11,365	13,227
Cash and equivalents	<u>144,187</u>	<u>137,956</u>
Less: Investment outside of City Treasury not meeting the definition of cash equivalents	<u>(334)</u>	<u>(349)</u>
Total cash and cash equivalents	<u>\$ 143,853</u>	<u>\$ 137,607</u>

The accompanying notes are an integral part of these financial statements.



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Notes to Financial Statements  
For the Years Ended June 30, 2015 and 2014

**2. Significant Accounting Policies (Continued)**

***Operating Revenues and Expenses***

The Port distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from real estate leasing, maritime and other principal ongoing activities of the Port's normal business operations. Real estate revenues consist principally of rentals of Port property to industrial, commercial, retail, office and other business enterprises. Parking revenues include parking lot operations, metered on-street parking and parking fine revenue. Maritime revenues are derived from vessel operations, warehousing, ship repair, harbor services and other maritime activities. Vessel operations include dry, liquid bulk, and break bulk cargoes, cruise, and other berthing. Other operating revenues include building permit and inspections fees. Operating expenses include facility maintenance, the cost of operations, administrative expenses, and depreciation and amortization on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Minimum base rental revenue is recognized on the straight-line basis over related lease terms. Most term leases provide rents to be payable to the Port in equal monthly installments on the first day of each month until the termination of the lease. Contingent rentals are recorded or accrued only for periods in which thresholds for gross sales or revenues are met by the tenant. Use fees are recorded when the fee is earned, based on actual occupancy or use. Use fees are assessed by a measured unit (e.g. lineal feet of vessel for dockage) or measured time (e.g. per twenty-four hour day). Maritime activity or use fees may be based on a standardized tariff schedule or covered by specific contractual agreements.

***Capital Contributions***

The Port, at various times, receives Federal and State grants, proceeds from City general obligation bonds, and other funds from external sources for construction of waterfront facilities and improvements. The funds are reported as capital contributions on the statement of revenues, expenses and changes in net position.

***Effects of New Pronouncements***

In 2015, the City implemented the provisions of the following GASB accounting pronouncements: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (issued June 2012) which is intended to improve accounting and financial reporting by state and local governments for pensions and, when applicable, to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities; and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.68* (issued November 2013) which eliminates the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

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**5. Prepaid Charges and Advances**

The Port and United States Army Corps of Engineers (USACE) periodically enter cost-sharing agreement for the USACE to carry out work on Port property that is also in the federal interest. Under these cost-sharing arrangements, the Port is typically required to pay its estimated cost share in advance to the USACE. The unexpended portion of such advances, which USACE will apply to future project costs, are reported as Prepaid Charges and Advances at June 30, 2015 and 2014

**6. Capital Assets**

A summary of changes in capital assets for years ended June 30, 2015 and 2014 are as follows (in thousands):

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 105,582	\$ -	\$ -	\$ 105,582
Construction in progress	49,924	23,945	54,554	19,315
Total capital assets, not being depreciated	<u>155,506</u>	<u>23,945</u>	<u>54,554</u>	<u>124,897</u>
Capital assets, being depreciated:				
Facilities and improvements	518,768	48,024	-	566,792
Machinery and equipment	18,561	7,222	1,078	24,705
Intangible assets	2,264	-	-	2,264
Dredging	3,379	2,911	1,089	5,201
Waterfront Land Use Plan Infrastructure	2,779	-	-	2,779
	29,114	1	-	29,115
Total capital assets, being depreciated	<u>574,865</u>	<u>58,158</u>	<u>2,167</u>	<u>630,856</u>
Less accumulated depreciation for:				
Facilities and improvements	263,833	16,678	-	280,511
Machinery and equipment	12,862	1,466	648	13,680
Intangible assets	1,436	262	-	1,698
Dredging	1,573	2,827	1,089	3,311
Waterfront Land Use Plan Infrastructure	2,244	165	-	2,409
	8,650	1,389	-	10,039
Total accumulated depreciation	<u>290,598</u>	<u>22,787</u>	<u>1,737</u>	<u>311,648</u>
Total capital assets, being depreciated, net	<u>284,267</u>	<u>35,371</u>	<u>430</u>	<u>319,208</u>
Capital assets, net	<u>\$ 439,773</u>	<u>\$ 59,316</u>	<u>\$ 54,984</u>	<u>\$ 444,105</u>

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**13. Redevelopment Agency**

Under Assembly Bill No. X1 26 (AB26) and the California Supreme Court's decision in California Redevelopment Association v. Matosantos, No. S194861, all redevelopment agencies in the State of California, including the Redevelopment Agency of the City and County of San Francisco (Agency), were dissolved by operation of law as of February 1, 2012. The Board of Supervisors adopted Resolution No. 11-12 in January 2012 to provide for the transition of assets and functions pursuant to AB26. Subsequently, in June 2012, Assembly Bill No. 1484 (AB1484) was adopted by the California Legislature. AB1484 significantly amended AB26 and impacted the transition plans initiated by the City.

A portion of the Rincon Point South Beach Redevelopment Project Area is within the Port Area and the Agency held leasehold interests to certain Port properties. Prior to AB1484, it was planned for the Port to resume management and control on July 1, 2012 of its property, including the leasehold improvements completed by the Agency. The Port and the Office of Community Investment and Infrastructure, Successor Agency to the Redevelopment Agency, have negotiated a memorandum of agreement covering the termination of Port agreements and providing for the transfer of certain assets and operations of the Rincon Point South Beach Project to the Port. While the agreement has been approved by the Port and Successor Agency governing commissions, the Oversight Board to the Successor Agency and the California State Department of Finance before June 30, 2015, the agreement is executory pending the completion of several less significant closing conditions.

**14. Related Party Transactions**

The Port receives services from, and provides services to, various City departments that are categorized in the various operating expense line items in the statements of revenues, expenses and changes in net position. The Port continues to evaluate its payments to the City's General Fund and various City departments for services that support activities within the Port area and refine the methodologies used for the allocation of City direct and indirect costs. In 2015, the \$17,097,000 in services provided by other City departments included \$2,570,000 of insurance premiums and \$587,000 in workers' compensation expense. In 2014, the \$15,571,000 in services provided by other City departments included \$2,184,000 of insurance premiums and \$565,000 in workers' compensation expense.

Services provided by City departments include: fireboat operations and maintenance from the Fire Department, legal and litigation-related services from the City Attorney's Office, street cleaning, direct and contractual services from the Department of Public Works, services provided by the City Purchaser, contract compliance review services by the City Administrator's Contract Monitoring Division, security services from the Police Department, risk management consulting services through the City Risk Manager, parking meter system maintenance and collection services from and through the San Francisco Municipal Transportation Agency, communications and network services from the Department of Technology and real estate services from the Department of Real Estate. Charges for electrical service provided by the SFPUC, included in utilities on the statements of revenues, expenses and changes in net position, were \$1,795,000 and \$1,409,000 in 2015 and 2014, respectively.

**PORT COMMISSION**  
**CITY AND COUNTY OF SAN FRANCISCO**  
**PORT OF SAN FRANCISCO**  
Notes to Financial Statements  
For the Years Ended June 30, 2015 and 2014

**14. Related Party Transactions (Continued)**

Rental revenues from City departments included in operating revenues were approximately \$2,168,000 and \$2,136,000 in 2015 and 2014, respectively. In connection with a memorandum of understanding, the General Fund reimbursed the Port for certain lost revenues (payment in lieu of rents) during the America's Cup events, approximately \$720,000 in 2014 and \$1,310,000 in 2013. The General Fund also contributed towards the construction of the cruise terminal project at Pier 27, \$1,600,000 in 2014 for Phase 2 construction and \$4,900,000 in 2013 for Phase I.

At June 30, 2014, the Due to General Fund of \$42,000 is for outstanding service invoices from two departments.

In November 2012, the City voters passed Proposition B, approving a \$195 million General Obligation Bond known as the 2012 San Francisco Clean and Safe Neighborhood Parks Bond. After deductions for issue costs, this bond allocates \$34.5 million for parks and open spaces on Port property and, in June 2013, the Port received \$18.3 million from the first sale. No amounts were received in 2015 and 2014. Previously in February 2008, the City voters approved an earlier bond issue for park and open space projects that included \$33.5 million for waterfront projects. From the 2008 bond, the Port received proceeds of \$10.4 million in 2012, \$10.6 million in 2010 and \$3.6 million in 2009. Since these bonds are a citywide obligation, the proceeds received by the Port are recorded as capital contributions.

Pursuant to a memorandum of understanding (MOU), the SFPUC advanced funds to provide for the design and construction of certain energy efficiency projects at identified Port facilities (Note 8). With the anticipation that retrofit costs will be recovered through future energy cost savings, the advances are being repaid over a four year period after project completion, with interest at 3.5% per annum. In 2012, the Port and the SFPUC entered into an MOU to facilitate the installation of a shoreside power system at the Pier 70 ship repair facility. Among other things, the SFPUC committed to provide the Port a project rebate of \$1.5 million, or a pro-rata amount, based on a pre-established threshold for metered electricity consumption by the shoreside power system during the first ten years of operation. A prorated rebate amount of \$208,000 has been accrued at June 30, 2015 as a noncurrent receivable, a component of Unrestricted other noncurrent assets.